United Nations A/70/759

General Assembly

Distr.: General
24 February 2016

Original: English

Seventieth session
Agenda item 148
Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Proposed budget of the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2016 to 30 June 2017

Report of the Independent Audit Advisory Committee

Summary

The present report contains the comments, advice and recommendations of the Independent Audit Advisory Committee on the proposed budget of the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2016 to 30 June 2017.

16-02851 (E) 290216

Please recycle

I. Introduction

1. The Independent Audit Advisory Committee presents herein its comments, advice and recommendations to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, on the budget of the Office of Internal Oversight Services (OIOS) under the support account for peacekeeping operations for the period from 1 July 2016 to 30 June 2017. The report is submitted in accordance with paragraph 2 (c) and (d) of the Committee's terms of reference (General Assembly resolution 61/275, annex).

2. The Committee has a responsibility to examine the workplan of OIOS, taking into account the workplans of the other oversight bodies, and advise the General Assembly thereon, to review the budget proposal of the Office, taking into account its workplan, and to make recommendations to the Assembly through the Advisory Committee. The Committee undertook its review of the OIOS workplan process and the proposed budget for OIOS under the support account for peacekeeping operations for the period from 1 July 2016 to 30 June 2017 during its thirty-second and thirty-third sessions, held from 9 to 11 December 2015 and from 17 to 19 February 2016, respectively.

3. In preparing the current report, the Committee was cognizant of the recent report of the external independent panel on the United Nations response to the allegations of sexual exploitation and abuse in the Central African Republic. That report informed the Committee's observations and recommendations, especially with respect to the resources needed for the investigation function of OIOS.

4. The Committee appreciates the efforts of the Office of Programme Planning, Budget and Accounts and OIOS in providing the Committee with the relevant documents for consideration. OIOS also provided supplementary information in response to various questions from the Committee.

II. Background

5. The proposed financial resources for OIOS for 2016/17 as compared with 2015/16 are provided in table 1.

Table 1
Financial resources
(Thousands of United States dollars)

	Approved 2015/16	*Proposed 2016/17*	*Variance*	
			(Amount)	*(Percentage)*
Internal Audit Division	19 043.50	19 033.40	-10.10	-0.1
Inspection and Evaluation Division	1 114.40	1 136.90	22.5	2.0
Investigations Division	10 623.50	10 270.00	-353.4	-3.3
Executive Office	780.90	787.70	6.8	0.9
Total	**31 562.20**	**31 228.00**	**-334.20**	**-1.1**

Note: Budget figures provided by the Office of Programme Planning, Budget and Accounts, Peacekeeping Financing Division.

6. The proposed OIOS budget under the support account for peacekeeping operations for the period from 1 July 2016 to 30 June 2017 is estimated at $31,228,000 (gross), which represents a reduction of $334,200 (gross), or 1.1 per cent, from the prior year's approved budget of $31,562,200 (gross). The reduction involves mainly general temporary assistance and other supplies and equipment. The lower amount for general temporary assistance (a decrease of $515,000 or 6.8 per cent) is attributed to the application of a higher vacancy factor, variances resulting from the updated standard salary costs used in estimation and the estimation of common staff costs.

7. The Committee recognizes that the consideration of the OIOS budget proposals with regard to the specific grade level of OIOS posts and requests for non-post resources is more appropriately within the remit of the Advisory Committee on Administrative and Budgetary Questions. The Independent Audit Advisory Committee's review, comments and advice will therefore focus on the scope of its own terms of reference with respect to the workplan and budget process of OIOS. In accordance with its terms of reference, the Committee will submit the present report to the General Assembly through the Advisory Committee. Arrangements will be made to interact with the Advisory Committee to discuss the contents of the report.

III. Comments of the Independent Audit Advisory Committee

A. Internal Audit Division

8. In the reports issued since its inception, the Committee has made a number of recommendations relating to the work of OIOS in general and the workplan and budget process of the Internal Audit Division in particular. The Committee notes that OIOS has made an effort to implement most of those recommendations. The Committee also notes that the Division continues to employ residual risk as the basis for its workplan. The Division is the largest of the three divisions of OIOS and represents close to 61 per cent of the OIOS budget under the support account.

Risk-based workplan

9. In paragraph 26 of its report on the subject for the period from 1 July 2010 to 20 June 2011 (A/64/652), the Committee recommended that the Internal Audit Division adopt more robust audit workplans that are based on residual risk. The Committee was informed that, in developing the 2016/17 workplan, the Division used the same risk-based approach that has been used since 2013, validated the previous year's audit universe and updated the audit risk assessments for all the departments, programmes, missions, functions, structures, processes and initiatives. OIOS indicated that the risk-ranked audit universe of auditable activities was developed while taking into account the impact and likelihood of risks and controls that exist to manage risk; previous oversight activities; and results of ongoing interactions/consultations with various divisions, management, the Board of Auditors and the Joint Inspection Unit. Thus, with regard to the current resource request, the Committee was informed that the Division's annual workplan was based on a residual risk-ranked audit universe of auditable entities.

10. Accordingly, as shown in table 2, OIOS indicated that the Division plans to undertake 97 audit assignments related to peacekeeping operations for the fiscal

period 2016/17. This represents a 3 per cent increase over the previous period. According to OIOS, logistics, property and facilities management and programme and project management have presented the greatest risks to a peacekeeping operation's ability to achieve its objectives. Accordingly, those three areas represent the largest number of audits. OIOS has indicated that it will continue to consult with management, the Board of Auditors and the Joint Inspection Unit during the period, monitor the risks identified in the missions and, if required, revise the workplan on the basis of emerging risks and priorities.

11. The Committee enquired with OIOS as to how the six critical risks identified under the Secretariat-wide risk assessment had informed the Division's risk-based workplan assumptions. The Committee believes that the workplan could be strengthened by more direct and demonstrated links between the Division's planned work and the risk treatment and response plan for the six critical risks. **The Committee accordingly recommends that future workplans of the Division explicitly show how those workplans are guided by the Organization's critical enterprise risk strategy.**

Table 2
Trends in the number and distribution of Internal Audit Division assignments

						Variance between 2015 and 2016	
Focus area	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*Number of assignments*
Logistics	13	16	19	28	16	29	13
Programme and project management	12	17	13	16	19	26	7
Property and facilities management	7	5	15	9	20	17	-3
Safety and security	14	4	7	6	3	5	2
Human resources management	10	4	8	17	18	9	-9
Financial management	5	6	10	12	4	4	–
Governance and strategy	8	10	1	–	–	–	–
Information technology	3	3	3	10	4	3	-1
Procurement	1	6	9	2	10	4	-6
Total assignments	**73**	**71**	**85**	**100**	**94**	**97**	**3**

Thematic and stand-alone audits

12. In paragraph 8 of annex I to its report on its activities for the period from 1 August 2009 to 31 July 2010 (A/65/329), the Committee noted that OIOS could add value to its oversight work by conducting more audits of cross-cutting and systemic issues, that is, thematic audits. The Committee therefore recommended that, in preparing its workplan, OIOS place greater emphasis on audits of cross-cutting issues in order to identify prevalent systemic issues that needed to be addressed by management as a priority.

13. For 2016/17, OIOS indicated that 37 of the 97 assignments would be thematic engagements. It identified several high-risk thematic areas on which it planned to concentrate, including the protection of civilians, contingent-owned equipment,

military operations, aviation safety, medical services and rations management, most of which were under the logistics focus area. **The Committee commends the Division for continuing to undertake thematic audits and will monitor this matter in future budgets. Going forward, the Committee will be reviewing opportunities for OIOS to undertake thematic workplan initiatives that fully integrate its audit, evaluation and investigation capabilities. For example, reviews of the protection of civilians, sexual abuse and exploitation in peacekeeping operations and potential fraud among implementing partners would benefit from integrated workplans that bring together assignments from divisions across OIOS. The Committee is pleased to hear that OIOS is already working on this approach and is undertaking a number of initiatives to enhance its strategies for integrated workplans and engagements.**

Capacity gap analysis

14. In paragraph 17 of its report for the period from 1 July 2012 to 30 June 2013 (A/66/737), the Committee recommended that, as OIOS continued to move towards a robust risk-based approach to its workplan, it should conduct analyses of its capacity gaps. OIOS informed the Committee that it was not requesting additional resources. OIOS indicated that any capacity gap would be minimal and addressed in three ways: (a) involving the chief resident auditors in the audit process more than initially budgeted on complex audits or areas of the work; (b) assigning some of the less technical areas of audit work to non-audit staff, such as administrative assistants; and (c) examining where efficiencies in the audit process could be made, such as the reporting phase, and reallocating those resources to cover any capacity gap.

15. **Having considered the workplan of the Internal Audit Division and taking into account its previous recommendations and the clarifications from OIOS, the Committee endorses the resource requirement as proposed.**

B. Inspection and Evaluation Division

Workplan implementation

16. In paragraph 24 of its report for the period from 1 July 2013 to 30 June 2014 (A/67/772), the Committee recommended that, in order for the Inspection and Evaluation Division to ensure its relevance to decision makers, it should, inter alia, finalize its reports in a timely manner. During the deliberations, the Committee was informed that, of the three items slated for evaluation during the 2015/16 fiscal year, namely robust peacekeeping, force generation, and the rehatting process in the United Nations Multidimensional Integrated Stabilization Missions in the Central African Republic and in Mali (MINUSCA and MINUSMA), none would be completed on time. Rather, OIOS indicated that the evaluation of peacekeeping was estimated to be completed in August 2016 and those on force generation and rehatting by September 2016. **The Committee continues to be concerned by the ripple effect that the failure to complete assignments on time will have on subsequent workplans, and calls upon OIOS to ensure that the delays have no such effect.**

Risk-based workplan and budget proposal

17. With respect to risk assessment, the Committee was informed that, for the risk assessment for 2015, four key strategic documents informed the updating of the

universe of evaluation topics. They included the report of the High-level Independent Panel on Peace Operations (A/70/95-S/2015/446), the response of the Secretary-General to that report (A/70/357-S/2015/682), the 2015 review of the United Nations peacebuilding architecture (A/69/968-S/2015/490) and the global study on the implementation of Security Council resolution 1325 (2000).

18. The Committee was also informed of other risk assessment data that the Division used to update its risk assessment, including the risk assessment of the Internal Audit Division; past evaluations conducted by OIOS; a desk review of peacekeeping mandates; evaluations of the Policy, Evaluation and Training Division of the Department of Peacekeeping Operations; and interviews with relevant stakeholders and evaluation data on the 14 support account-funded peacekeeping missions.

19. OIOS maintains that it considers the Organization's enterprise risks when developing the workplan of the Inspection and Evaluation Division. However, as with the Internal Audit Division, the Committee believes that the Secretariat-wide enterprise risk management critical risk treatment and response initiatives could be more clearly linked to the Inspection and Evaluation Division's workplan process. The absence of a demonstrated link between the six critical risks of the Organization and the OIOS risk assessment may contribute to a silo mentality within OIOS. **The Committee therefore recommends that future workplans of the Inspection and Evaluation Division explicitly show how those workplans are guided by the Organization's critical enterprise risk strategy.**

Capacity gap analysis and the budget proposal

20. In paragraph 20 of its report for the period from 1 July 2014 to 30 June 2015 (A/68/773), the Committee observed the disparity in the Division's resource allocation between the regular budget and the peacekeeping budget. The Committee was informed that as a result of the Division's assessment, 13 evaluations were considered to be in high-risk areas (of which 8 were thematic and 5 focused on individual peacekeeping missions). With the available resources, however, the Division indicated that it was possible to conduct only 3 evaluations, leaving a gap of 10 high-risk assignments.

21. The Committee was also informed that, noting the resource challenges facing the Organization, while at the same time striving to maintain its evaluation oversight mandate in peacekeeping, OIOS requested an additional post of one P-3 Evaluation Officer to assist its Peacekeeping Evaluation Section in doing more thorough and adequate data collection work and to support a more timely completion of its mandated outputs of three evaluation reports per year. The request, however, was not supported by the Controller.

22. The Committee recalled paragraph 22 of its previous report (A/69/791), in which it endorsed the request for the additional post for the Division. That request was pressing, given the resource disparities that existed between the evaluation of peacekeeping activities and non-peacekeeping ones. The Committee sought clarification from the Controller as to why the requested post was not supported. The Controller informed the Committee that the decision was based on the persistently high vacancy rates prevailing in OIOS and the overall expected decrease in the peacekeeping budget levels. The Controller suggested that the

capacity gap could be addressed through the realignment of posts and positions within OIOS.

23. **Having considered the Inspection and Evaluation Division's workplan and capacity gap analysis, the lack of a clear correlation between the Organization's enterprise risk management strategy and the OIOS risk-based workplan, and the Controller's views, the Committee agrees with the Controller that the capacity gap be met through realignment of posts and positions within OIOS. The Committee therefore endorses the resource requirement as proposed. However, the Committee notes that, in the future, the success of OIOS in making sustained progress in addressing its vacancy rates would necessarily reduce the number of vacant posts that could be redeployed.**

C. Investigations Division

24. In paragraph 67 of its resolution 69/307, the General Assembly invited the Committee to examine the operational independence of OIOS, in particular in the area of investigation. The Committee, in its report on its activities for the period from 1 August 2014 to 31 July 2015 (A/70/284), provided its findings, observations and recommendations in this regard. Subsequent to the issuance of that report, the external independent panel on the United Nations response to the allegations of sexual exploitation and abuse in the Central African Republic finalized its report. The panel's findings and recommendations were considered by the Committee in reviewing the workplan and resource requirement of the Investigations Division.

25. The panel, in addressing the operational independence of OIOS, built on the Committee's recommendation regarding the need for a holistic review of OIOS, with special emphasis on the Investigations Division. This recommendation, however, was not endorsed by the General Assembly. **The Committee continues to believe that, without such a review, it will be difficult to ensure that the widespread and significant concerns about the operations, internal working relationships and effectiveness of the Investigations Division will be resolved.**

Workplan implementation

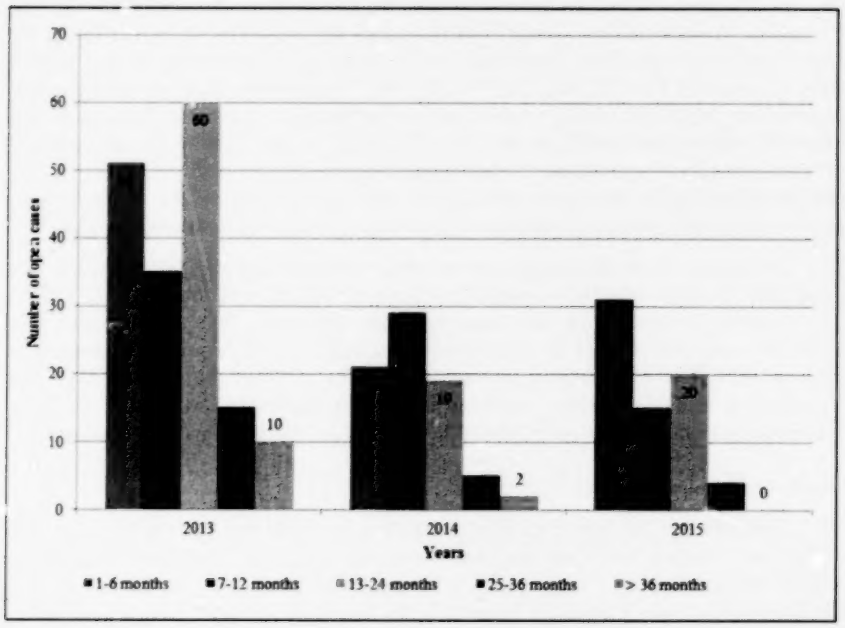
26. In reviewing the workplan implementation of the Investigations Division, the Committee focused on its previous recommendations. Specifically, the Committee was concerned that the high vacancy rates in the peacekeeping section of the Division would have a negative impact on the ability of OIOS to fulfil its mandate. The Committee had also expressed concerns over the delays in completing investigation assignments.

27. With respect to vacancies, the Committee was informed that OIOS continued to face challenges in attracting and maintaining a highly skilled, talented and professional workforce. However, the Committee was also informed that, while the vacancy rate for the peacekeeping section of the Division was 28.9 per cent as at 31 October 2015, the rate as at 31 January 2016 was 19.3 per cent. If that progress is sustained, it will represent a very positive development. The Committee was informed that, although the Division's efforts to attract high-calibre applicants (particularly with greater geographic diversity) had been improving, the Division would continue to explore strategies to appeal to experienced professional investigators.

28. With regard to the delays in the disposition of investigation cases, the Division informed the Committee of the continued improvements in reducing the number of carry-over assignments. Specifically, according to OIOS, the Division has achieved very modest improvements with respect to the time that it takes to complete its investigations, from an average of 15.8 months in 2014 to 13.9 months in 2015. OIOS believes that it is on the right track to achieve the targeted six-month period. **However, the Committee remains concerned that the pace of progress is too slow and needs to be enhanced; at the current pace, it will be several years before the six-month target is met.**

29. The Committee also looked at the trends in the ageing of open cases and observed that, as shown in figure I, there was an improvement in that for the first time there were no cases pending for more than three years.

Figure I
Ageing of open cases



30. **The Committee welcomes the improvements in reducing the number of aged open cases. The Committee calls upon OIOS to develop and issue a strategy for addressing its enduring vacancy issues that entails new strategies, as appropriate, and key milestones for recruitment, hiring and onboarding. The Committee also recommends that OIOS augment efforts to reduce the average number of months to complete investigations so that it consistently achieves the six-month target.**

Workplan and resource requirement

31. The Investigations Division's request reflects the current staffing level, save for a request to establish 1 General Service post and redeploy 11 posts from various

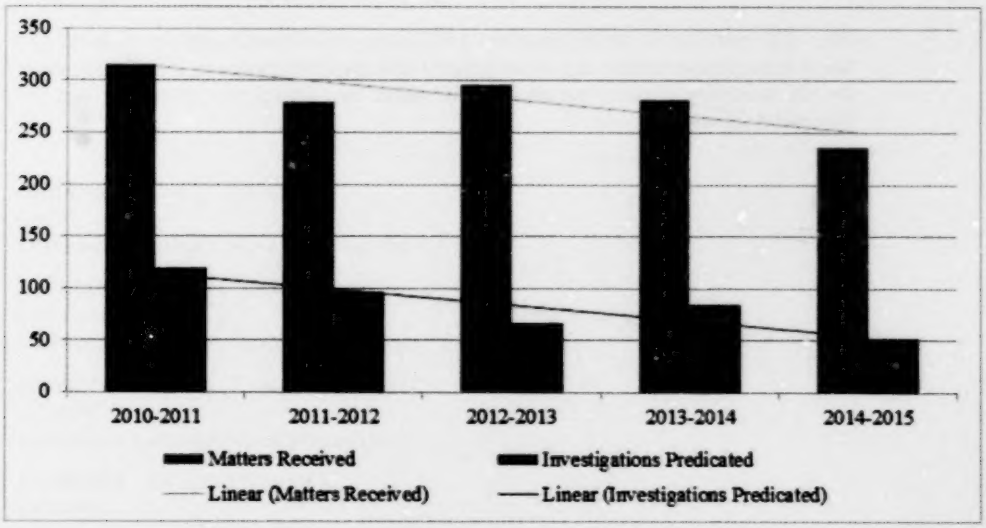
offices to Entebbe, MINUSCA, MINUSMA and Vienna. The Controller endorsed the redeployments but not the creation of the new post. OIOS informed the Committee that the 2016/17 budget included the cost to maintain the new case management system (GoCASE). The Committee was also informed that the Division intended to exploit the analytical capabilities of GoCASE and Umoja to support the Division's efforts to achieve risk-based planning.

Anticipated caseload

32. During the discussions with OIOS, the Committee was informed that the Division's mandated work comprised two pillars of investigative activity: reactive, whereby it responds to reports of possible misconduct; and proactive, whereby it seeks to identify, through an assessment of risk and other factors, the potential for fraud and other violations in high-risk ope ations. This proactive approach seeks to deploy investigative resources in a focused manner in response to identified risks.

33. With respect to its reactive work, OIOS indicated that it was always a challenge to estimate the type and volume of matters that the Division would address in the course of any reporting period. Accordingly, the Committee was informed that the Division would continue to forecast its coming reactive caseload by analysing recent past trends. OIOS stated that the five-year trend was for an annual intake of approximately 281 matters, with some 84 of those resulting in investigations and the remainder referred to other entities, filed for information or validated as part of the due diligence process of the Organization (see figure II).

Figure II
Peacekeeping-related intake: five-year trend



34. The Committee was also informed that the intake for the 2015/16 period, which was initially forecast at 293 cases, comprised 180 matters to date, of which 60 had been predicated for investigation.

35. Given the overall declining trends in both intake and predication, as shown in figure II above, the Committee enquired as to why OIOS was expecting 281 cases for the 2016/17 period.

36. Realizing the imprecise nature of trend analysis as a basis for the Division's budget, OIOS informed the Committee that it had recently sought to be more analytic and anticipatory of the investigation needs of its operating environment, particularly in peacekeeping.

37. **The Committee welcomes the decision to incorporate its prior recommendation to undertake proactive investigative work. The Investigations Division, and OIOS more generally, has done ample work in recent years that should suggest specific aspects of peacekeeping operations that pose the most risk. Proactive work targeted at those risks can help to strengthen procedures and controls and thus preclude problems from occurring. Addressing issues before they become problems reduces the need for subsequent investigations.**

38. **The Committee believes that OIOS should also review its planning assumptions for the reactive caseload that are based on historic trends.**

39. **Having reviewed the workplan and budget proposal, taking into account the vacancy rates, and notwithstanding the findings and recommendations contained in document A/70/284 and those of the external independent panel on the United Nations response to the allegations of sexual exploitation and abuse in the Central African Republic, the Committee agrees with the Controller's proposal and endorses the resource requirements as proposed.**

IV. Conclusion

40. The members of the Independent Audit Advisory Committee respectfully present the present report containing its comments and recommendations for consideration by the Advisory Committee on Administrative and Budgetary Questions and the General Assembly.

(*Signed*) J. Christopher **Mihm**
Chair
Independent Audit Advisory Committee

(*Signed*) Maria Gracia M. **Pulido Tan**
Vice-Chair
Independent Audit Advisory Committee

(*Signed*) Patricia X. **Arriagada Villouta**
Member
Independent Audit Advisory Committee

(*Signed*) Natalia A. **Bocharova**
Member
Independent Audit Advisory Committee

(*Signed*) Richard Quartei **Quartey**
Member
Independent Audit Advisory Committee